

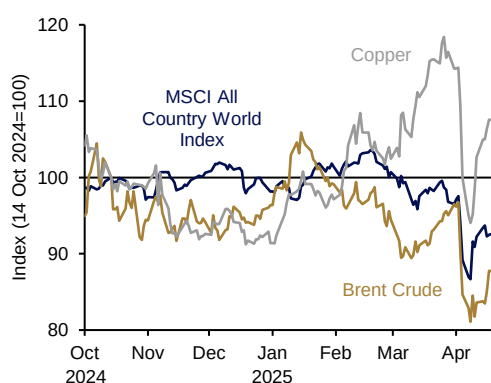
# 1 Financial Conditions

## 1.1 Global Developments

### Sentiments in global financial markets have weakened since early April

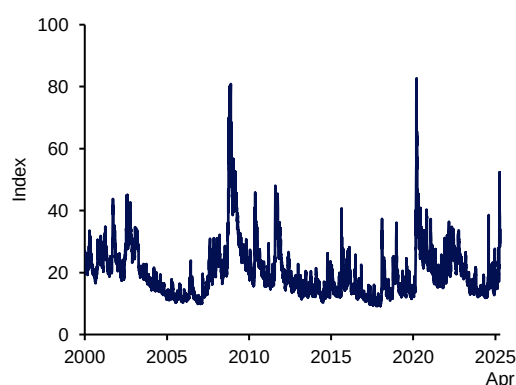
Following the US imposition of tariffs worldwide in early April, global financial market volatility and risk aversion have risen sharply. Since 2 April, the MSCI All Country Index has fallen by 5%<sup>1</sup>, bringing losses since the beginning of the year to 6%. The prices of growth-sensitive commodities like crude oil and copper have also fallen (Chart 1.1), indicating that global growth prospects have dimmed. As a measure of the heightened degree of risk aversion in markets, the VIX rose sharply to a level that had previously only been breached during the COVID-19 pandemic and the Global Financial Crisis (Chart 1.2).

Chart 1.1: Selected Growth-sensitive Assets



Source: Bloomberg

Chart 1.2: VIX Index

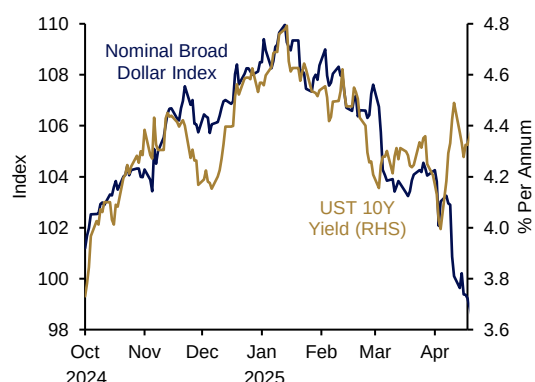


Source: Bloomberg

In contrast to previous global risk-off episodes, US Treasury yields rose sharply from 2 April. At the same time, the US dollar has depreciated against most currencies, in particular the Euro, Japanese yen and Swiss franc. On the whole, the Nominal Broad US Dollar Index has fallen by around 9% since the beginning of the year (Chart 1.3). In April alone, it depreciated by 4% amid the increasingly pessimistic assessment of global trade policies and their likely impact on the US economy.

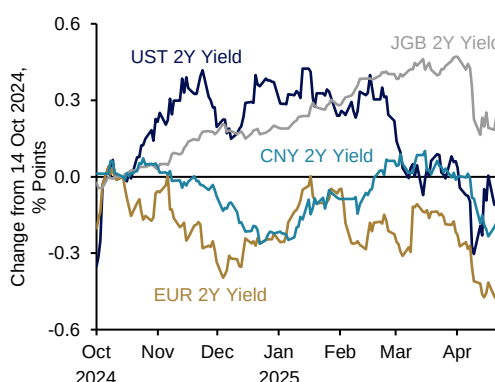
<sup>1</sup> Developments described in this chapter are up till 18 April.

Chart 1.3: Dollar Index and US Treasury Yield



Source: Bloomberg

Chart 1.4: Global Interest Rates



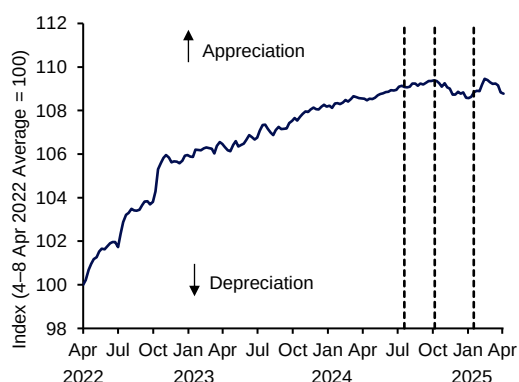
Source: Bloomberg

**Global monetary policy has remained on a broad easing path.** While the US Federal Reserve paused its series of rate cuts in December 2024, US 2-year yields have moderated since January (**Chart 1.4**). Meanwhile, the European Central Bank has lowered its deposit facility rate to 2.25%, while the Bank of Japan paused its rate hike cycle. In the region, the 7-day reverse repo rate in China has remained stable since the beginning of this year.

## 1.2 Domestic Developments

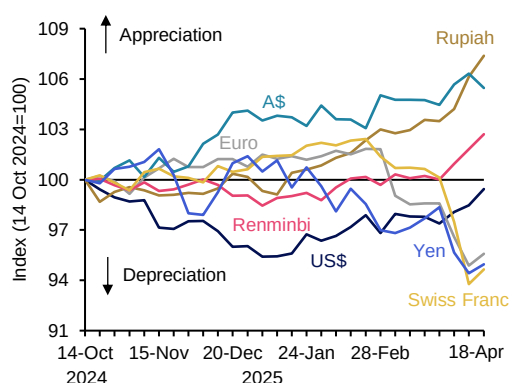
The S\$NEER has fluctuated within the upper half of the policy band, but its average level has remained broadly unchanged since the start of 2025

**Amid the financial market volatility, the S\$NEER has fluctuated in the upper half of the policy band.** It appreciated in January amid broad-based US\$ weakness, but depreciated in early April as global risk aversion rose, and on market expectations that MAS would ease monetary policy (**Chart 1.5**). Over the last three months, the S\$ has strengthened against the US dollar, the Indonesian rupiah, Chinese renminbi and Australian dollar, while depreciating against the Japanese yen, Swiss franc, and the Euro (**Chart 1.6**). On average, the level of the S\$NEER over the last three months has remained broadly unchanged from that in the preceding three months.

**Chart 1.5: S\$NEER, Weekly Average**

Source: EPG, MAS estimates

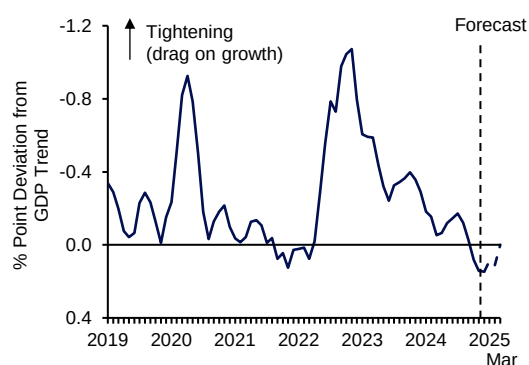
Note: Vertical dashed lines indicate the last three releases of the MPS. Data displayed are up to 11 April.

**Chart 1.6: Bilateral Exchange Rates**

Source: EPG, MAS estimates

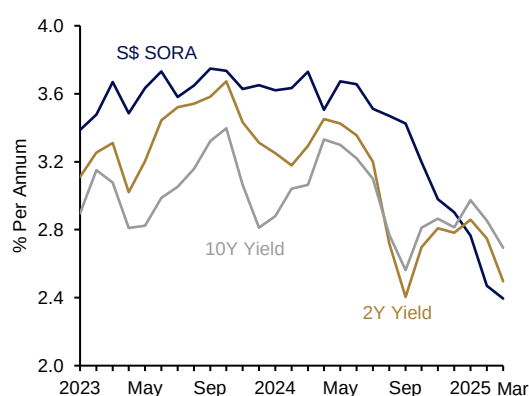
## Domestic financial conditions were broadly neutral at the end of Q1 2025

**Overall domestic financial conditions<sup>2</sup> were mildly supportive of growth over the past six months, and turned neutral at the end of Q1 2025 (Chart 1.7).** Interest rates, as measured by the Singapore Overnight Rate Average (SORA), fell by more than 100 bps over the past two quarters, alongside lower bond yields (**Chart 1.8**). The decline in the cost of financing more than offset the impact of lower asset prices on financial conditions. Lending to both consumers and businesses continued to expand, while money supply, as measured by M2, rose by 6.3% y-o-y in February (**Chart 1.9**).

**Chart 1.7: Domestic Financial Conditions**

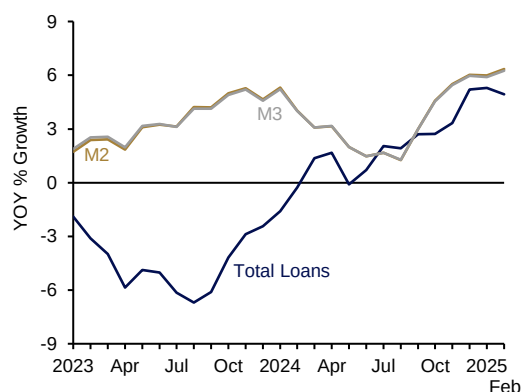
Source: EPG, MAS estimates

Note: 2025 Jan–Mar FCI values are estimates, with quarterly indicators used in the FCI nowcasted from their latest available Dec 2024 data.

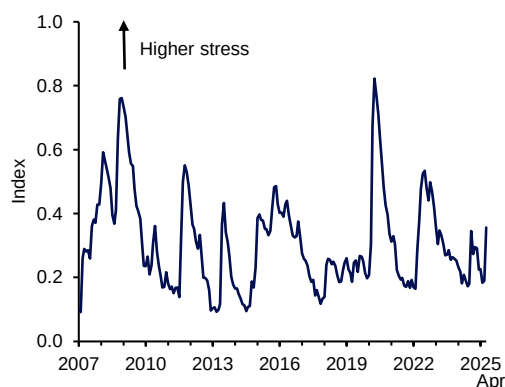
**Chart 1.8: S\$ SORA and S\$ Government Bond Yields**

Source: MAS

<sup>2</sup> Please see Special Feature 2 on “Expanding the Toolkit for Macroprudential Surveillance” in MAS’ 2024 *Financial Stability Review* for more details on the domestic Financial Conditions Index (FCI) and Financial Stress Index (FSI).

**Chart 1.9: Total Loans and Monetary Aggregates**

Source: MAS

**Chart 1.10: Financial Stress Index**

Source: EPG, MAS estimates

Note: The FSI is normalised to [0,1], with 1 indicating historic high levels of stress.

However, the deterioration in global sentiment and heightened market volatility in April has likely filtered through to an incipient tightening of financial conditions in Singapore. The Financial Stress Index for Singapore financial markets has started to pick up (Chart 1.10). This has manifested as further equity market corrections, slight widening of credit spreads and a nascent tightening in lending standards amid heightened uncertainty. Economic growth is also expected to slow in the second half of 2025.